



PG – 573

III Semester M.Com. Examination, December 2016  
(CBCS)  
COMMERCE  
Paper – 3.2 AT : Corporate Financial Reporting

Time : 3 Hours

Max. Marks : 70

SECTION – A

**Note :** Answer **any seven** of the following sub-questions. **Each** sub-question carries **two** marks. **(7×2=14)**

1. a) Define Interest Rate Swaps.
- b) Define Forward Contract.
- c) List Financial Statements as specified by IASB in its IFRSs.
- d) One of the alternatives available for the countries is to converge their country-specific Accounting Standards with IFRS. In this context, what is convergence ?
- e) Identify any one major difference between Indian GAAP and US GAAP.
- f) What is Triple Bottom Line Reporting ?
- g) What do you mean by de-recognition of financial instruments ?
- h) Who are the Commodity Market Intermediaries ?
- i) State the meaning of Inflation Accounting.
- j) What is Hedge Accounting ?

SECTION – B

**Note :** Answer **any four** questions. **Each** question carries **five** marks. **(4×5=20)**

2. Give an account of nature of human resource reporting.
3. Write a note on Sustainability Reporting.
4. Give brief account of structure of IASB.
5. Write a note on Shareholders' Value Added Statement.
6. State the treatment of 'contingencies' with reference to Ind AS and IFRS.

P.T.O.



7. A company started the accounting year 2015-16 with an opening inventory of ₹ 5 lakhs which was purchased in the previous year when the price index stood at 200. The company purchased ₹ 20 lakh worth goods during the year 2015-16 and sold ₹ 24 lakh worth goods. The average price index for the year was 205 and by 31<sup>st</sup> March, 2016, it increased to 210. Using these details, compute the cost of goods sold and the value of year-end inventory under Current Purchasing Power Method assuming that the company follows (a) FIFO method and (b) LIFO method.

## SECTION – C

**Note :** Answer any three questions. Each question carries 12 marks. (3×12=36)

8. Examine the procedure adopted by Indian Standard Setters for developing Ind AS converged with IFRS.
9. Critically examine the process of developing interpretations by IFRIC.
10. Discuss the major issues in the area of published financial statements. How do you resolve them ?
11. ABC Co., Ltd., furnishes the following Profit and Loss Account.

**Profit and Loss A/c for the year ended 31<sup>st</sup> March, 2016**

Particulars	Notes Number	Amount (₹ '000)
Turnover	1	29,872
Other income		1,042
		<hr/>
		30,914
Operating expenses	2	26,741
Interest on 8% Debentures		987
Interest on cash credit	3	151
Excise duty		1,952
		<hr/>
		29,831
Profit before depreciation		1,083
Less : Depreciation		342
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Profit before tax		741
Provision for tax	4	<u>376</u>
		365
Less : Transfer to Fixed Assets Replacement Reserve		<u>65</u>
		300
Less : Dividend paid		<u>125</u>
Retained profit		<u>175</u>

**Note :**

- 1) Turnover is based on invoice value and net of sales tax.
- 2) Salaries, wages and other employee benefits amounting to ₹ 14,761 ('000) are included in operating expenses.
- 3) Cash credit represents a temporary source of finance. It has not been considered as a part of capital.
- 4) Transfer of ₹ 54 ('000) to the credit of Deferred Tax Account is included in Provision for Tax.

Prepare Value Added Statement for the year ended 31<sup>st</sup> March, 2016 and reconcile total value added with profit before taxation.

12. On 24 January, 2016, Channappa of Bengaluru sold goods to Watson of Washington, USA, for an invoice price \$ 40,000 when the spot market rate was ₹ 64.20 per US \$. Payment was to be received after three months on 24 April, 2016. To mitigate the risk of loss from decline in the exchange rate on the date of receipt of payment, Channappa immediately acquired a forward contract to sell on 24 April, 2016 US \$ 40,000 at ₹ 63.70. Channappa closed his books of account on 31 March, 2016 when the spot rate was ₹ 63.20 per US \$. On 24 April, 2016, the date of receipt of money by Channappa, the spot rate was ₹ 62.70 per US \$.

Pass journal entries in the books of Channappa to record the effect of the above mentioned events.



**III Semester M.Com. Examination, December 2015  
(CBCS Scheme)  
COMMERCE**

**A.T. 3.2 : Corporate Financial Reporting**

Time : 3 Hours

Max. Marks : 70

**Instruction : Answer all Sections.**

**SECTION – A**

1. Answer **any seven** of the following sub-questions in about **3-4 lines each**. Each sub-question carries **two** marks. **(7x2=14)**
- a) What do you mean by Corporate Financial Reporting ?
  - b) What do you mean by Shareholders Value Added ?
  - c) State the meaning of Forward Contract under Derivatives.
  - d) What is meant by Hedge Accounting ?
  - e) What do you mean by Human Resource Reporting ?
  - f) What is Sustainable Reporting ?
  - g) State any four examples for Financial Assets.
  - h) What are Performance Indicators under GRI ?
  - i) What are NBFCs ?
  - j) Differentiate between EVA and MVA.

**SECTION – B**

Answer **any four** of the following questions. Each question carries **five** marks. **(4x5=20)**

- 2. Explain the requirements to be fulfilled by a Merchant Banker for registration with SEBI.
- 3. What are the similarities and differences between IFRS and USGAAP ?
- 4. What do you mean by Ind. AS ? State the significance of Indian Accounting Standards (Ind. AS).

P.T.O.



5. Entity A is considering the following Financial Instruments. You are required to classify the following instruments into Financial Assets and Financial Liability :
  - a) An accounts receivables that is not held for trading.
  - b) Investment in shares and other equity instruments issued by other entities.
  - c) Investments in bonds and other debt instruments.
  - d) Bonds and other debt instruments issued by the entity.
  - e) Deposits in other entities.
6. What is USGAAP ? Explain the organizations which influenced the development of USGAAP.
7. Briefly explain the issues and problems with special reference to Published Financial Statements.

## SECTION – C

Answer **any three** of the following. Each question carries **twelve** marks. (3×12=36)

8. "The Triple Bottom Line Reporting (TBL) is made up of Social, Economic and Environment Dimensions". Discuss.
9. Prepare a Gross Value Added Statement from the following P and L Account of Dakshineswar Ltd., show also the Reconciliation between Gross Value Added and Profit before Taxation.

**Profit and Loss Account for the year ended 31-03-2015**

Particulars	Rs. in Lakhs	Rs. in Lakhs
<b>Income : Sales</b>	–	610
Other Income	–	25
<b>Total Income</b>		<b>635</b>
<b>Less : Expenditure :</b>		
Production and Operational Expenses	(465)	–
Administration Expenses	(19)	–
Interest and other charges	(27)	–
Depreciation	(14)	(525)
Profit Before Tax	–	110
<b>Less : Provision for Tax</b>	–	(16)
Profit After Tax	–	94
<b>Add : Balance as per last Balance Sheet</b>	–	7
		<b>101</b>



**Transferred to :**

General Reserve	60	
Proposed Dividend	11	71
Surplus carried to Balance Sheet	-	30
<b>Total</b>		<b>101</b>

**Notes :**

1) Production and Operational Expenses :	<b>(Rs. In Lakhs)</b>
Increase in Stock	112
Consumption of Raw materials	185
Consumption of Stores	22
Salaries, Wages, Bonus and Other Benefits	41
Cess and Local Taxes	11
Other Manufacturing Expenses	94
<b>Total</b>	<b>465</b>

2) Administration expenses include inter-alia audit fees of Rs. 4.80 lakhs, salaries and commission to directors Rs. 5 lakhs and provision for doubtful debts Rs. 5.25 lakhs.

3) Interest and other charges :	<b>(Rs. In Lakhs)</b>
On working capital loans from Bank	8
On fixed loans from IDBI	12
On debentures	7
<b>Total</b>	<b>27</b>

10. What do you mean by Financial Instruments ? Briefly explain the recognition and measurement of Financial Instruments.

11. In the context of inflation accounting system adjust the following Profit and Loss Account and Balance Sheet under the "Current Purchasing Power Method" (CPP) to ascertain the changes in net profit and reserve.

**Profit and Loss Account for the year ended 31-12-2014**

Particulars	Amount	Amount
	(Rs. 000's)	(Rs. 000's)
Sales	-	500
Opening Stock	80	-
Purchases	420	-
	<b>500</b>	



Less : Closing stock	(70)	430
Gross Profit	–	70
Depreciation (buildings)	5	–
Administration	25	30
Net Profit	–	40

**Balance Sheet as at 31<sup>st</sup> December**

Particulars	(Rs. 000's)	
	Amount in Rs.	Amount in Rs.
Share capital	–	200
Reserves	–	200
		<b>400</b>
Land and Building	200	–
Less : Depreciation	(45)	155
Stock	70	–
Debtors	40	–
Cash	30	–
	<b>140</b>	–
Less : Creditors	(35)	105
	–	<b>400</b>

The following data are given :

- a) Closing stock was required during last quarter of 2014 and opening stock during the last quarter of 2013.
  - b) The land and building were acquired and the capital issued during 2006. The building are depreciated straight line over 40 years.
  - c) The relevant retail price indices are
 

i) 2006 average	60
ii) 2013 last quarter average	108
iii) 2013 December 31	110
iv) 2014 last quarter average	116
v) 2014 average	114
vi) 2014 December 31	118
  - d) Sales, purchases and administration expenses assumed to occur over the year and hence an average prices.
12. "The International Accounting Standards Board (IASB) is the independent, accounting standard-setting body of the IFRS foundation". Explain the structure and governance of IASB.